



December 17, 2014

Mr. Ken Grey, Executive Director  
City of Selma  
1710 Tucker Street  
Selma, CA 93662

Dear Mr. Grey:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Selma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 24, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 5, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 18, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- During the Meet and Confer, the Agency disputed the Prior Period Adjustment (PPA). Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) funding approved in the table in the following page reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

In addition, Finance noted the following during our review:

Item No. 2 – The Agency incorrectly reported the expenditures for Item No. 2 on the PPA worksheet. The Agency reported \$77,000 in Other Funds, \$76,059 in RPTTF as expended for this item, and a prior period adjustment in the amount of \$110,448. Finance determined that Other Funds were not authorized or used for this item during the ROPS 13-14B period since RPTTF funding was approved for use and the full amount was distributed by the CAC. Since the Agency expended \$76,059 in RPTTF

and did not report \$77,000 as available RPTTF on the PPA worksheet, the prior period adjustment was underreported by \$941. Therefore, with the Agency's concurrence, the prior period adjustment has been increased by \$941 to \$111,389 (\$110,448 + \$941).

During the Meet and Confer process, the Agency contended that they do not have the \$111,389 available. However, the Agency also stated that Finance correctly increased the PPA amount to \$111,389. Since the Agency concurs that the correct PPA amount is \$111,389, this amount should continue to be available for use during the ROPS 14-15B period as the PPA adjustment is to account for RPTTF funds received in prior periods, but not expended.

In addition, per Finance's letter dated November 5, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 1 – 2010A Tax Allocation Bonds. The Agency requested \$75,706 in RPTTF funding for this item. However, Finance notes that \$80,706 is due for debt service pursuant to the bond covenants. Therefore, with the Agency's consent, Finance has increased the funding for this item by \$5,000.
- Item No. 3 – 1994 Housing Bond. The Agency requested \$23,295 in RPTTF funding for this item. However, Finance notes that only \$22,550 is due for debt service pursuant to the bond covenants. Therefore, with the Agency's consent, Finance has decreased the funding for this item by \$745 (\$23,295 - \$22,550).

Although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b), Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$116,867 as summarized in the Approved RPTTF Distribution Table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	99,001
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 224,001</b>
RPTTF adjustment to non-administrative obligations	
Item No. 1	5,000
Item No. 3	(745)
<b>Total RPTTF adjustments</b>	<b>\$ 4,255</b>
Total RPTTF authorized for non-administrative obligations	103,256
Total RPTTF authorized for administrative obligations	125,000
<b>Total RPTTF authorized for obligations</b>	<b>\$ 228,256</b>
ROPS 13-14B prior period adjustment	(111,389)
Self-reported ROPS 13-14B prior period adjustment (PPA)	(110,448)
Finance adjustment to ROPS 13-14B PPA	(941)
Total ROPS 13-14B PPA	(111,389)
<b>Total RPTTF approved for distribution</b>	<b>\$ 116,867</b>

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Mr. Neal E. Costanzo, Agency Counsel, City of Selma  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office